19 December 1966

MEMORANDUM FOR THE RECORD

SUBJECT: Annuity Comparison--Daniels Bill and Proposed Amendment to Section 291

1. The proposed amendment to Section 291 of the CIA Retirement Act is patterned after the so-called "Daniels Bill" amendment to the cost-of-living provision of the Civil Service Retirement Act. This paper focuses on the carry-over to our proposal of the flat 1.5 per cent annuity increase of the Daniels Bill.

2. The flat 1.5 per cent annuity increase under the Daniels Bill was limited to those who retired on or before 30 December 1965. There is no detailed explanation in the legislative history of the Daniels Bill for this flat 1.5 per cent increase. However, it is generally understood that it was granted to offset the fact that retirees on or before 30 December 1965 had not received the full benefit of the higher salaries of the four legislative pay increases effective in 1962, 1964, and 1965. The flat 1.5 per cent annuity increase offsets somewhat the lower "high-five salary" used in computing the annuities of retirees on or before 30 December 1965.

3. If, optimistically, our proposed amendment to Section 291 is enacted in March 1967, the flat 1.5 per cent annuity increase would be extended to 1 June 1967 retirees (17 months beyond the cut-off point for Civil Service retirees). Further, by calculating the "high-five salary" under the more liberal Federal salary rates to 1 June 1967, an annuity is obtained which is already 5 per cent higher than would have been payable to a 30 December 1965 retiree under the Daniels Bill. (Supporting calculations attached.)

[redacted] STATINTL

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RECENT LEGISLATIVE PAY INCREASES BY EFFECTIVE DATE AND APPROXIMATE PERCENTAGES

Year	Month	Percentage
1960	1 July	7.5%
1962	Oct	(4.7%)*
1964	Jan	(5.4%)*
	July	(2.7%)*
1965	1 Oct	3.6%
1966	1 July	2.9%

* Percentage increase varied with classification of grades. For the purpose of this computation, the base of GS-9 was used.

EXAMPLE 1

HIGH-FIVE AVERAGE SALARY FOR RETIREES
AS OF 31 DECEMBER 1965*

(Example involves $12,000 a year salary)

1 January 1961 through 31 December 1965:

21 months	@$1,000/month =	$21,000
15 months	@$1,047/month =	$15,705
6 months	@$1,103/month =	$ 6,618
15 months	@$1,133/month =	$16,995
3 months	@$1,174/month =	$ 3,522
60 months		$63,840

$\frac{\$63,840}{5}$ = $12,768 (high-five average salary)

Annuity calculated on the above average ($12,768) is
$5,107 ($12,768 x 2% x 20 years)

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* Approximate and assuming last five years are highest five years.

EXAMPLE 2

HIGH-FIVE AVERAGE SALARY FOR RETIREES AS OF 31 May 1967*

(Example involves $12,000 a year salary)

1 June 1962 through 31 May 1967:

4 months	@$1,000/month =	$ 4,000
15 months	@$1,047/month =	$15,705
6 months	@$1,103/month =	$ 6,618
15 months	@$1,133/month =	$16,995
9 months	@$1,174/month =	$10,566
11 months	@$1,208/month =	$13,288
60 months		$67,172

$\frac{\$67,172}{5}$ = $13,434 (high-five average salary)

Annuity calculated on the above average ($13,434) is $5,373 ($13,434 x 2% x 20 years)

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*Approximate and assuming last five years are highest five years.

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Difference between two annuities:

$5,373 - $5,107 = $266

Per cent of difference:

$\frac{\$266}{\$5107}$ = 5.2%

10. (Unclassified - LLM) The existing and proposed cost-of-living provision under the CIA Retirement Act was reviewed with Mr. Andrew Ruddock, Director, Bureau of Retirement and Insurance, Civil Service Commission. Mr. Ruddock saw no problems from the Commission's view point. The meeting was attended by Mr. Lawrence Houston, Mr. John Warner, Mr. Emmett Echols, [redacted]

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Ex/Dir-Compt
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